Marketing Healthcare Centers & Hospitals Session 3

Marketing Strategy

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-Plan:

is a way of achieving something

Example :the shopping list you take to the supermarket

-Planning includes:

1-Setting objectives

2-Selecting strategies , tactics and policies

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Strategy

The method used to achieve objective/s.

Objective/s

Are quantified goal/s.

Goal

A future target or end result that an organization wishes to achieve.

Tactics

How resources (tools) are used to achieve the agreed strategy.

Polices

Rules regulates business (internal & external)

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Strategic Planning

Strategic planning has been defined as a process that describes the direction an organization will pursue within its chosen environment and guides the allocation of resources and efforts.

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Marketing Strategy

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Difference between Vision & Mission statement

Vision Statement :

is the big picture,

what you or the organization want to become.

Mission statement :

is how this vision will be implemented.

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Definition of Vision Statement

A vision statement is sometimes called a picture of your company in the future but it's so much more than that. Your vision statement is your inspiration, the framework for all your strategic planning.

A vision statement may apply to an entire company or to a single division of that company. Whether for all or part of an organization, the vision statement answers the question, "*Where do we want to go*"

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Vision Statement

Vision statement of Saint Vincent Hospital :

"To be the hospital of choice for patients, physicians and employees in Central Massachusetts because of our preeminent البارز patient care and teaching programs.

To be well recognized as a technology leader in New England.

To be the academic center of choice for residents and healthcare professionals."

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Defining The Organizational Mission

Organizational Mission :refers to the organization fundamental purpose for existing defining who the organization is, its values, and the customers it wishes to serve.

Mission statements are established to set the tone for the organization and provide the management with a purposely broad set of directions for how it should develop further business strategies.

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1.Mission Statement

An effective mission statement should clearly articulate most of the following components:

1- **The basic product or service**, primary market, and technology to be used in delivering the product or service.

2- **Organizational goals**: such as growth, profitability, stability, or survival, stated in a strategic sense.

3- **Organizational philosophy** : the code of behavior that guides the organizations operation.

4- **Organizational self concept** : a self evaluation based on a realistic determination of its strengths and weaknesses.

5- **Public image** : how those outside the organization view it.

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Examples of Mission Statement

Cleveland Clinic mission of statement :

"A patient is the most important person in the institution.

A patient is not dependent on us- we are dependent on him. A patient is not an interruption of our work –he is the purpose of it.

A patient is a person and not a statistic. It is our job to satisfy him."

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2. Situational Assessment

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2. Situational Assessment

The **Situational assessment** is an analysis of the organizations environment in relation of the organization itself.

This process is referred to as the SWOT analysis (so named because it examines the strengths and weakness of the organization, as well as the opportunities and threats relevant to the organizations future strategy).

Unlike the environmental scanning (PESTEL analysis) ,which has nothing to do with a specific organization ,doing environmental scanning can help organizations to act in a prophylactic way.

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Situational Assessment

For the SWOT to be successful, an organization must be able and willing to do the following:

1-Turn the focus of the SWOT analysis away from the organization products and toward its business processes that meet customer needs.

2-Capitalize on its strengths by delivering better value to customers.

3-Turn any weakness into strength by investing strategically in key areas.

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3. Differential Advantage (Competencies)

An organization should assess what it does better than the competition and gives it a differential advantage.

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Criteria for a Good Differential Advantage

Importance→ first a differential advantage must be important to the buyer. But if they are not important to the buyer it is not a differential advantage.

Perceived → When an organization has elements that it considers the market would view as important, the requirement then is to ensure that these advantages are perceived by the buyer.

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Criteria for a Good Differential Advantage

Uniqueness → A third important component of a differential advantage is that it must be unique from other providers. This aspect of uniqueness is a particularly challenging in health care.

Sustainable→ When seeking a differential advantage, it is essential that the organization consider focusing on aspect of the operation or business that are sustainable for some period of time.

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Sources of a Differential Advantage

Traditionally, in most industries there have been **three areas** in which an organization can seek a differential advantage:

(1) **product**

(2) **market**

(3) **cost**

(4) **In Health care organizations** we should also consider or organize a **fourth source** of differential advantage which is……**trust**.

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Sources of a Differential Advantage

1. Product

In health care, the establishment of a product-based differential advantage is difficult.

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Sources of a Differential Advantage

2. **Market** : a market based differential advantage is available to those who focus on a particular market or market segment. e.g. women, children

3. **Cost** :another area in which to establish a differential advantage is cost. An organization that is highly efficient, either through the use of technology or with tight management control of expenses, can achieve this advantage.

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Sources of a Differential Advantage

4. Another differential advantage that should be recognized by health care providers is trust.

Trust :

has been found to be a source of a competitive differential advantage, although it has many definitions, a useful operative one is that "trust is the mutual confidence that no party will exploit another's vulnerabilities."

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Sources of a Differential Advantage

Trust is a difficult variable for health care organizations. When an entity loses that advantage, it is often hard to reestablish a position of trust in consumers minds.

The issue becomes one of how severe the error or harm was.

If the error or harm was with an individual patient, then the loss is a customer.

However, if the of loss of trust is seen in the marketplace, the harm to the organization may be a loss of market share that is more visible and often unrecoverable.

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4. Organizational Objectives

The fourth step in the strategic planning process is the establishment of organizational objectives, which are the long term performance targets the company hopes to achieve.

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Organizational Strategy

For any organization, these can include either :

1- Growth market strategies

2- Consolidation (alliance-merging) strategies (others).

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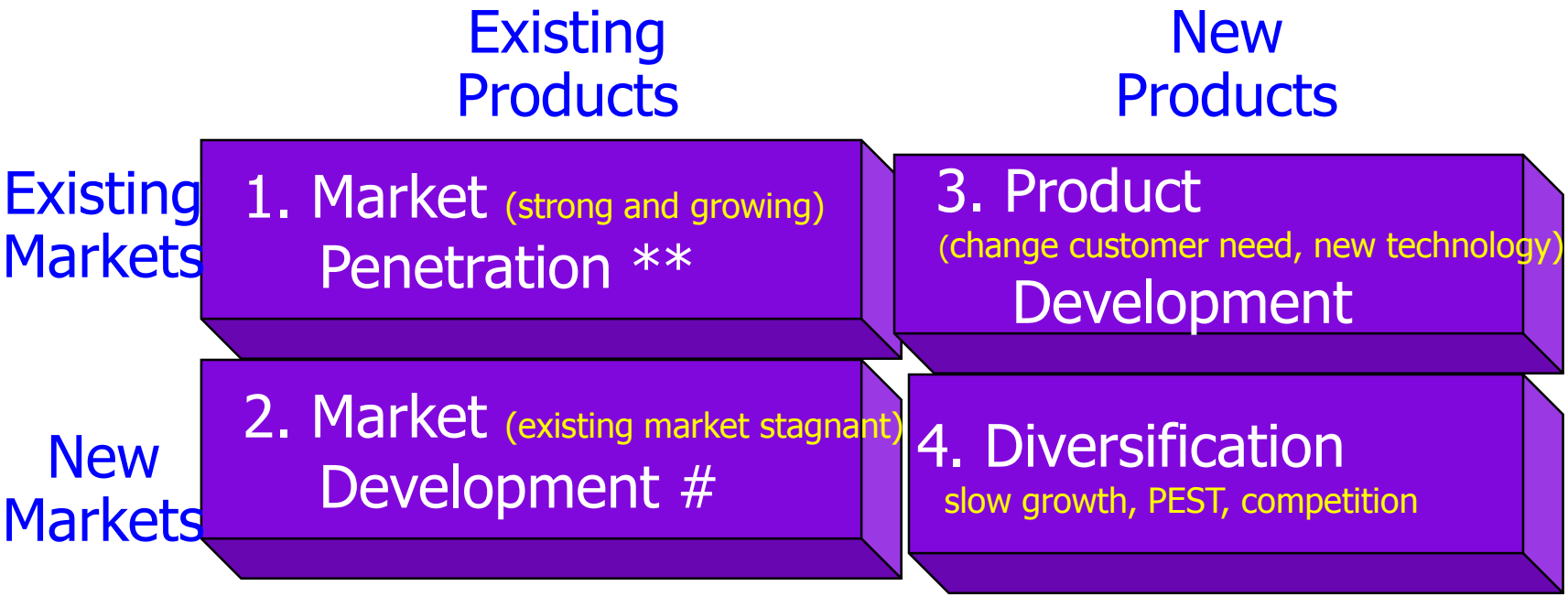
Growth Strategies (Ansoff's matrix)


Existing Products
New Products
Existing Markets
New Markets
1. Market (strong and growing) Penetration **
3. Product (change customer need, new technology) Development
2. Market (existing market stagnant) Development #
4. Diversification slow growth, PEST, competition

** conversion of non user to user
** increase consumption of actual user
** take from competitors

new geographical markets
new customers (new segment)
globalization

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Organizational Strategy Growth Strategies

1- Market Penetration

-The sales of present products and services in present markets.

-This a useful approach when the current market is strong and growing.

-Fulfillment of this strategy might involve attracting new customers.

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Organizational Strategy Growth Strategies

2- Market Development

-Initiating sales of existing products and services in new markets, a market development strategy.

-This strategy is followed when existing markets are stagnant in terms of growth and market share gains would be difficult to achieve because of strong, dominant competitors.

-This approach is followed by relocating a service to regions where it has not previously been offered.

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Organizational Strategy Growth Strategies

3- Product Development

-Providing new products to existing markets.

-In this situation, a health system has a strong customer base and seeks to retain these customers by offering new services or quality improvements.

-Organizations pursue this strategy to meet changing customer needs, to take advantage of new technology, or to meet the needs of some specific segment of market.

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Organizational Strategy Growth Strategies

4- Diversification

-Developing new products or services for new markets.

-This strategy is followed when :

- The growth in existing markets is slowing
- Environmental changes take place: societal, technological, economic, regulatory, legal,…..
- Competition: make it risky to remain in present markets.

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Other Strategies

Consolidation (alliance-merging) strategies

- **Acquisition**

(buying an existing organization- **no new** company is formed)

- **Merger**

(a combination of two companies to form **a new company**)

- **Joint Venture**

(two parties come together to take on **one project**)

***Licensing* (knowhow only)**

***Franchising* (brand name & knowhow)**

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More Strategic Methods

- **Integration**

- Vertical
  (Backward & Forward)
- Horizontal

- **Diversification**

- (New product & New market)

- **Defensive Strategies**

- **Retrenchment**
  (Regrouping , cost & asset reduction to reverse declining sales & profit)
- **Divestiture**
- (Selling a division or part of an organization)
- **Liquidation:**
  Selling , Company's assets, in parts, for their tangible worth

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Organizational Strategy

Strategic Alliances For many organizations, it is often difficult-in terms of resources or for strategic reasons-to enter new markets.

In such instances, many companies following a diversification strategy have established **strategic alliances**, or formal arrangements with other companies to operate in a particular market.

(e.g. : Cairo scan & Nile Badrawy)

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Organizational Strategy

Consolidation Strategies

Occasionally when examining marketplace an organization might establish strategies for Consolidation, or focusing business on a smaller set of markets, products, services.

This objective can be accomplished in several ways.

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Organizational Strategy

Consolidation strategies

Divestment

is selling off a business or product line.

This strategy is often followed when an organization believes there is a weak fit between its major core business and a particular product line.

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Organizational Strategy

Consolidation strategies

Pruning a second consolidation strategy occurs when a firm prunes or reduces the number of products or services it offers to the market.

The company continuous to serve the market, but does so with a reduced set of products.

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Organizational Strategy

Consolidation Strategies

Retrenchment in a retrenchment strategy, a company decides to withdraw from certain markets.

A clinic might decide to close a primary care satellite in a neighboring community.

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Organizational strategy

Consolidation strategies

Harvesting a fourth consolidation strategy, harvesting, involves gradually withdrawing support from a product until there is little or no market demand.

A business would follow this strategy as long as the service had some level of profitability.

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Determining Organizational Strategy

The BCG matrix

The Boston Consulting Group, a well known management consulting firm, developed a strategy based on market growth rate and relative market share to focus company strategies in firms with multiple product lines.

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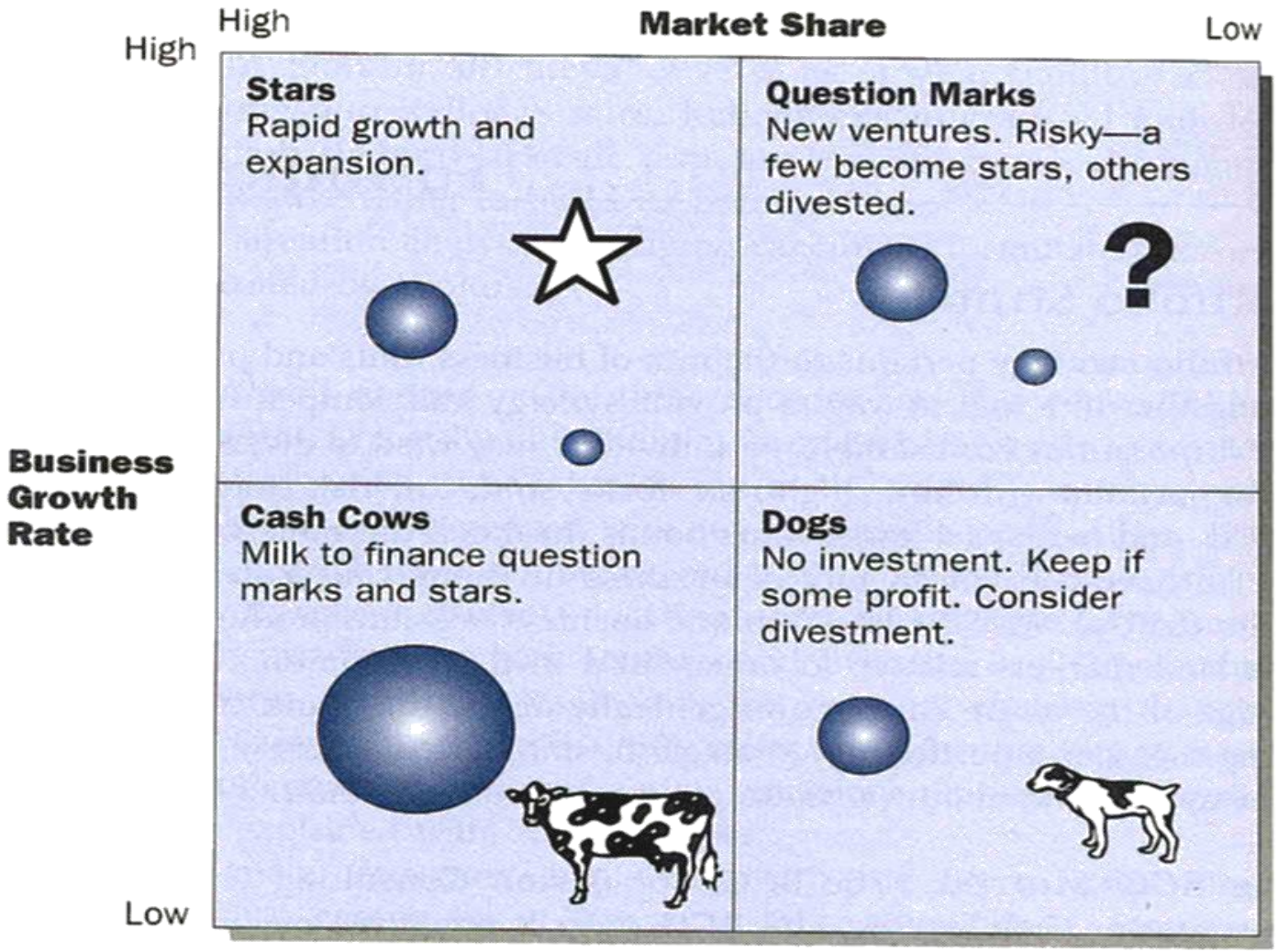
BCG Matrix (Boston Consulting Group)



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Determining Organizational Strategy

Market growth rate refers to the rate of sales growth in the market where as relative market share is the ratio of a product's share of business within the market compared to that of its largest competitor.

Market share is an indicator of market dominance.

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Determining Organizational Strategy

The BCG matrix

Products and services are represented in the matrix as one of the following:, stars, cash cows problem children, or dogs.

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Determining Organizational Strategy

The BCG matrix

Stars are products with high market share and high growth rate.

An organization is doing well with these products (represented by their high relative market share), and their future potential is still strong as reflected in the high growth rate.

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Determining Organizational Strategy

The BCG matrix

Cash cows are products that have a high market share but a low growth rate these might be seen as mature businesses.

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Determining Organizational Strategy

The BCG matrix

Problem children represent services with low relative market share, but high growth rate.

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Determining Organizational Strategy

The BCG matrix

-Dogs represent those products with low share an low growth.

-The simplest recommendation is to drop the product or get out of the market.

-In health care, however, an organization must often keep one service (such as rehabilitation services) in order to deliver other services (such as orthopedics).

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Analyzing the Competitive Market

Micheal Porter has developed a widely accepted conceptual model, often referred to as the five forces model of industry structure, that considers factors affecting the competitive intensity within an industry.

Within the context of strategic planning, companies must assess not only the existing competition but also potential competition.

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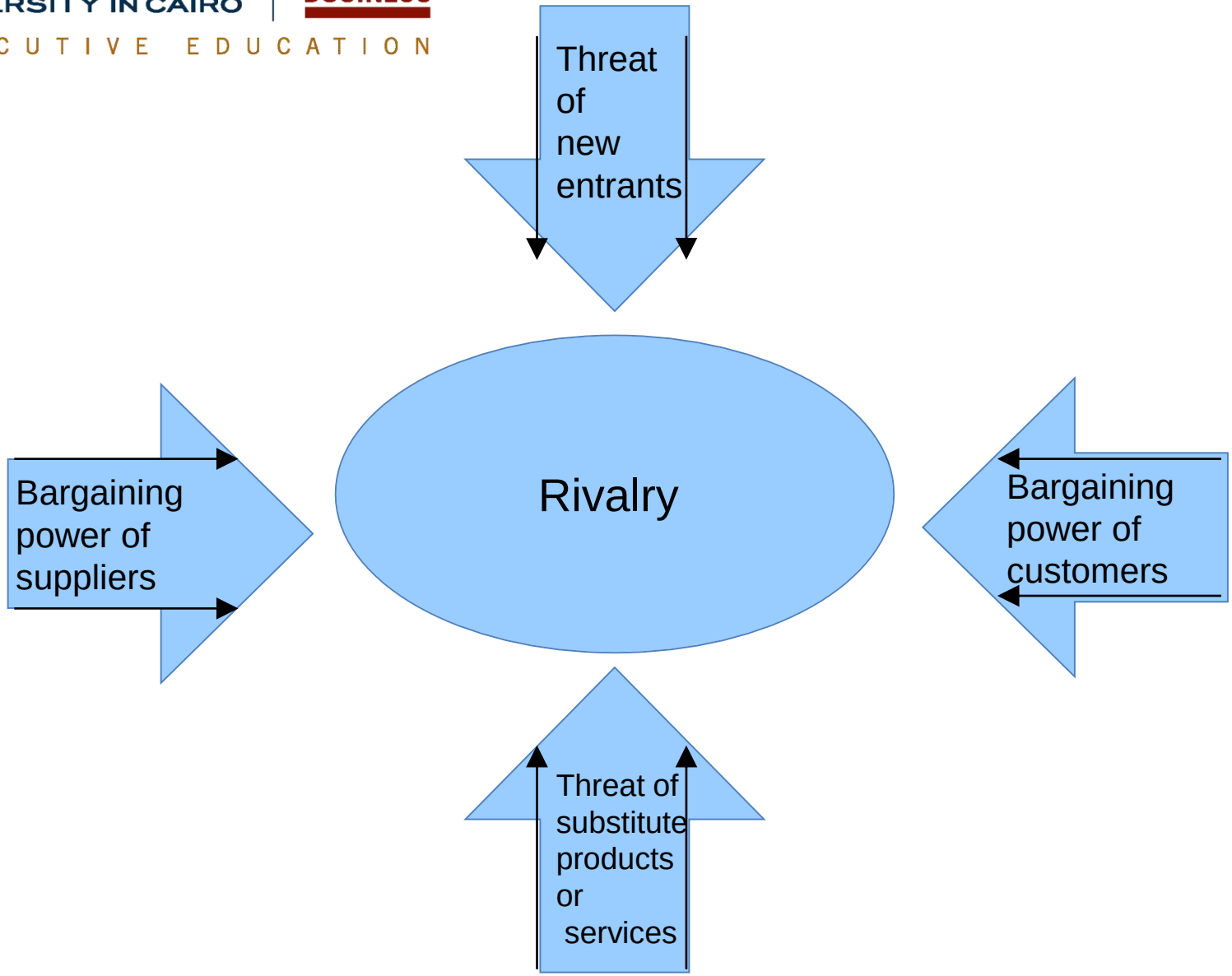

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Analyzing the Competitive Market

Existing Competitors

In analyzing the competitive environment, it is important to first look at the existing competitors..

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Analyzing the Competitive Market

New Entrants

Although it is essential to consider the existing competition when developing a strategic plan, an organization must be keenly aware of new players entering the marketplace.

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Analyzing the Competitive Market

Threat of Substitution

In health care, technology can eliminate a particular business line in a short period of time .

Successive new generation of diagnostic imaging technology affected the usage of preceding technologies in a particular area.

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Analyzing the Competitive Market

Powerful Customers

Buyers can dramatically affect the competitive intensity in an industry.

The more economic power the buyer has, or the greater the source of customer money that the buyer represents, or the fewer buyers there are, the more pressure the customer can exert.

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Analyzing the Competitive Market

Powerful Suppliers

Suppliers are also a major threat when they can integrate forward to deliver a service.

They also can exert great power when other sources of supply are few, or when it would be very costly for an organization to shift suppliers.

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Market Positions

Market Leader

Within a single industry, one organization usually tries to be market leader, the firm that has the largest market share and dominates the competitors in a given market.

This leader dictates the pricing strategies of its competitors and is the first to introduce new products.

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Market Positions

Market Challenger

A second market position is that of being the market challenger the firm that attempts to confront the market leader.

These companies tend to be smaller than the market leaders, but aggressive in their strategy formulation.

They attack the market leader, either through directly attracting the leaders customers, or by trying to attract customers or market segments where the market leader is weak.

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Market Positions

Market Follower

A market follower is a business that competes in the marketplace by following the market leader rather than by attacking it directly.

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Market Positions

Market Niche

A final market position that a firm may try to create is that of a market niche, which it achieves by following a strategy of targeting a narrow segment or

segments in a large market with specialized products or services.

Niche strategies are becoming more common in health care.

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Development of an Action Plan

Once the broad strategy is determined, an organization can specify the tactical components of the marketing plan (Action plan).

This plan will address the advertising strategy, pricing strategy, distribution issues, and the nature of the product in terms of quality, range of options, and so on.

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Evaluating the Plan

The final aspect of the marketing plan involves **evaluating** its results.

Ultimately, the **success of monitoring** depends on the initial **quantitative objectives** used in the plans development.

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